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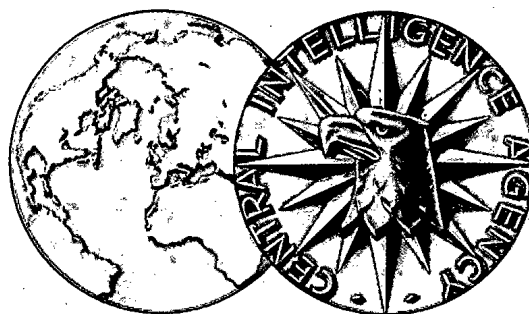
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WEEKLY SUMMARY



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STAT

H I G H L I G H T S

As East-West relations continued to be marked by the relative calm that has prevailed since the Paris meeting of the Council of Foreign Ministers, the Vatican this week threw its full support behind the western drive to stop the advance of world communism (see page 13). The Vatican's decree excommunicating all Catholics who profess or support communism will intensify the Church-state struggle in the Satellites but will have little appreciable effect on its outcome.

The British dock strike is near an end, but the UK and the Commonwealth nations still face the difficult task of increasing their dollar earnings and balancing their dollar accounts (see page 3). Britain's answer to this problem will not be known for several months, as the announced reduction in dollar imports is no more than a stop-gap measure designed to forestall a crisis.

The signing of the Syrian-Israeli armistice and the resumption of peace talks at Lausanne have not materially improved the prospect for early settlement of the Palestine conflict (see page 8). The Israelis, confident of their superior military power, hope eventually to gain control over all Palestine and show no disposition to adopt a less truculent attitude, while the Arab states are more determined than ever to bide their time in the hope of finally evening the score with Israel.

The Chinese Communists have once again resumed military operations, with the current offensive apparently aimed at Canton (see page 10). In the absence of determined Nationalist resistance and despite Chiang Kai-shek's re-assumption of direct control over Nationalist affairs, Communist forces are capable of reaching Canton within 30 days.

SECRET**W E S T E R N E U R O P E****UNITED KINGDOM**

Import Reductions The decision of the UK and the Commonwealth nations to reduce dollar imports by 25% is an emergency, stop-gap measure designed to forestall a crisis by narrowing sharply the current dollar deficit. It is in no sense a long-term solution of the larger problem of how the UK and the sterling area are to increase their dollar earnings and balance their dollar accounts. Britain's answer to this problem will not be known for several months and will be formulated during consultations with the Commonwealth and the US. Meanwhile, the cut in British imports should not seriously hamper the UK's recovery drive provided it is of short duration. If continued, the reduction in imports will lead to a lower standard of living, even fewer incentives to labor to work harder, and a shortage of certain raw materials and machinery which will eventually lower production and employment.

Possible Remedies One of the partial remedies to the sterling area's dollar shortage probably discussed at the recent Commonwealth Finance Ministers' meeting is a plan to stabilize prices and markets for sterling area bulk commodities through international agreement. The Commonwealth countries would generally welcome agreements similar to the International Wheat Agreement which would assure them of a steady market at fixed prices for such dollar-earning raw materials as tin, rubber, jute, cocoa, etc. Such a program would depend, however, on US willingness to contract on a long-term basis for stated quantities of raw materials at agreed prices, in which connection the British have pointed to the analogy of US supports for domestic agricultural prices.

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SECRET**UNITED KINGDOM**

The Dock Strike The four-week-old London dock strike is nearing an end. Appeals by Government and labor leaders and the invocation of emergency powers, however, will have had little effect on the workers' decision to end the strike. Instead, the strike will terminate because the dockers are beginning to be economically pressed and to recognize the extent to which they are being exploited by the Communists. Although the strike will not have a seriously damaging effect on the British economy, it has demonstrated both inability of the Labor Government to influence labor's rank and file and the growing dissatisfaction in labor ranks to the Government's handling of labor relations. The Labor Government has thus lost considerable political prestige. The Communists, meanwhile, by showing their hand in the dock strike, have actually jeopardized their limited power elsewhere in the trade union movement. The largest British trade union has already acted to exclude Communists from all its offices, and other trade unions are expected to intensify their efforts to eliminate Communist influence. Furthermore, most unions are loyal to their leaders, few have any serious Communist influence, and the patriotism and commonsense of British labor in general would in any event limit the effectiveness of any purely political agitation.

Satellite Trade The desire of the UK to expand trade with Eastern Europe has again been illustrated by the British refusal to accede to indignant popular demands that trade negotiations with Czechoslovakia be severed in protest against that Government's persecution of the Catholic Church. Although the UK has, on the whole, taken a firm political line with the Satellites, it is improbable that the British Government at this time will go beyond routine political

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UNITED KINGDOM

statements deploring and denouncing the Czechoslovak action. In addition to its desire to promote trade with Eastern Europe, the UK is anxious to retain diplomatic listening posts in the Satellites and to avoid any action which might merely emphasize western ineffectiveness.

GERMANY

Berlin Economy As the USSR continues to strangle Berlin exports and to harass the city by interfering with truck traffic, the primary problem confronting the western powers is the threat of a serious financial crisis in the western sectors of Berlin. Efforts thus far to balance the 1949-50 municipal budget have been unsuccessful and western Berlin officials insist that any sharp decrease in government employment would only throw more people on the public dole. An increase in taxes on Berlin industries and population offers little hope of relief; such an increase would aggravate the problems already faced by Berlin industries in competing with lower-cost producers in western Germany. The uncertainties of delivery also contribute to the reluctance of western Germany to do business with west Berlin. Fiscal relief through increased subsidies to west Berlin from west Germany, though possible, would place a substantial burden on the west German economy, already strained in the attempt to improve economic conditions in western Germany.

THE NETHERLANDS

Indonesian Policy Continuation of the Government's conciliatory policy toward Indonesia now seems assured, following parliamentary approval of the agreements

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THE NETHERLANDS

reached with the Indonesian Republicans for restoration of the Republican Government, re-establishment of law and order, and the agenda for the proposed round-table conference at The Hague. Although conservative Catholic leaders will again criticize the Government's policy during public debate scheduled to follow ratification of the agreements by the Republican Government, the Dutch Government will probably not encounter further serious difficulties. When negotiations begin at The Hague on the formation of a United States of Indonesia and a Netherlands-Indonesian Union, however, further criticism of possible Dutch concessions can be expected and may be strong enough to restrict somewhat the latitude of the Government in the negotiations.

AUSTRIA

Reparations Payment Austrian officials can be expected to rely increasingly on the US to underwrite a large part of Austria's payment of \$150,000,000 in reparations to the USSR, which the Kremlin is insisting upon as a condition to the peace treaty. The payment of such a huge sum of money during the first six years of peace would have a near-disastrous effect upon the Austrian economy, unless the Austrians are able to increase the country's economic productivity through more carefully coordinated and astute planning than they have shown to date. Thus far, however, most Austrian officials appear complacently confident that the US will volunteer to subsidize the reparations payment.

GENERAL

Communist plans to increase their capabilities for striking a major blow at Western European recovery by exploiting maritime labor discontents were further advanced by the establishment of an International Union of Longshoremen and Maritime Workers by the World Federation of Trade Unions (WFTU). Through this new international, with headquarters at Marseilles and with representation from 25 countries, the Communists will be in a position to call maritime sympathy strikes on a virtually global scale. Strategy for the new international union is to be determined by a six-man executive board headed by US representative Harry Bridges. The current London dock strike in support of Canadian Communist seamen demonstrates the degree of international coordination already exercised through Communist channels over maritime labor, and the new WFTU-controlled International will greatly facilitate the realization of any future Communist plans for world-wide strike action.

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NEAR EAST - AFRICA

PALESTINE

Armed Truce The Israeli-Syrian armistice concludes the last of the armistices between Israel and its Arab neighbors but, as peace talks resumed at Lausanne, the state of armed truce persists and prospects for reaching substantial agreement before the fall session of the General Assembly remain slim indeed. The basic political and religious conflict in the Holy Land is unresolved, and the protagonists have, if anything, drawn even farther apart.

Israel's hard-driving power diplomacy of the past year has so embittered the Arabs that hopes of achieving an early political and economic settlement have been virtually destroyed. All the Arab states are now firmly convinced that they cannot do business with Israel. Despite remaining dissensions among themselves, they are united in their resolve to bide their time until the day they can finally settle their score with Israel.

For their part, the Israelis are convinced of their military superiority and can see no reason for becoming less truculent in their dealings with the US, the UN, or the Arabs. As a minimum, Israel will insist upon retaining the territory it has won by force of arms and is probably prepared to use additional force to eliminate the Latrun salient and to obtain access to Mount Scopus. Neither willing nor able to accept the return of any appreciable number of Arab refugees, the Israelis are probably laying plans eventually to obtain all Palestine. Israeli officials appear to be fully confident that they can force the US to modify its position in regard to both the refugee repatriation question and the territorial demarcation plan originally set down by the UN.

PALESTINE

The UN is thus left with two alternatives: (1) to adopt strong punitive measures to exact Israel's compliance on territory and refugees; or (2) to bow to Israeli demands and offer other compensation to the Arabs. Further delay will merely add to the difficulty of carrying out either alternative.



F A R E A S T

CHINA

Communist Offensive The two-month lull in military activities in China has been broken by a Communist offensive along a front extending eastward from the Yangtze gorges in Hupeh to the middle reaches of the Kan River in Kiangsi, and apparently aimed at Canton. The Communist radio in Peiping claimed several important victories, including the capture of Ichang and Shasi (west of Hankow) and Kian and Pinghsiang (southwest of Nanchang). The Communists appear to be directing their initial efforts toward capturing Changsha and Hengyang in the hope of trapping the forces of Pai Chung-hsi. However, Pai, who commands the only sizeable Nationalist force (175,000 men) between the Communists and Canton, will probably attempt to withdraw into Kwangsi as soon as the Communist threat to his present positions becomes more acute. In the absence of determined Nationalist resistance, and with the aid of irregulars already operating in South China, the Communist forces are capable of reaching Canton within 30 days.

Chiang's Return In the face of the new Communist offensive, Chiang Kai-shek has once again strengthened his control over the Kuomintang and the National Government. During Chiang's one-week visit to Canton, Acting President Li Tsung-jen had little alternative but to accept the Generalissimo's leadership role. Although Li, as vice-chairman of the newly-activated Supreme Policy Committee of the Kuomintang (SPC), will preside over that body during Chiang's absence, he will have slight influence over its decisions. Chiang's direct and overt control over Nationalist policy is thus assured, regardless of his whereabouts; however, the revived SPC will probably be unable to fortify appreciably the shaky National Government.

WESTERN HEMISPHERE

GUATEMALA

Uprising Aftermath **Control of the Guatemalan Government**
by President Arevalo's leftist administration now seems assured following the recent bloody but abortive uprising in the wake of the assassination of Colonel Arana, Chief of the Armed Forces. The success of the government in quelling this revolt of conservative-minded young army officers was partially due to the cooperation given the police force and loyal elements within the army by organized, armed civilian groups affiliated with the leftist political parties and labor unions. The military effectiveness of these heretofore-untested groups and replacement of disloyal officers with those of proven loyalty should greatly strengthen President Arevalo's regime. The somewhat hostile attitude of the administration toward the US and US business interests is not expected to change as a result of the uprising.

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VENEZUELA

Military Shuffle Widespread discontent among the younger officers of the Venezuelan Army could produce a radical change in the military junta now headed by Lt. Col. Delgado Chalbaud. Although the army officers as yet seem to lack leadership and organization, their discontent may eventually strengthen the hand of Chief of Staff Perez Jimenez, second member of the three-man junta. Perez may thus force Delgado's removal and simultaneously foil a reported plot by a Venezuelan diplomatic group in Washington to remove Perez from office and give Delgado complete control. A Venezuelan junta completely dominated by Perez, who has expressed opposition to US policies in Latin America, would be less favorable to US interests.

VATICAN VERSUS COMMUNISM

The recent Vatican decree excommunicating all Catholics who profess, defend, or spread Communism is a declaration of open war upon Communism throughout the world. In Eastern Europe, with the Church organization under constant attacks, its priests and bishops imprisoned, its schools closed, and its publications banned or rendered ineffective, the Vatican has been forced into a struggle for survival. In Western Europe, where personal and political freedoms are still guaranteed by the governments, the Church has thrown its great strength and influence into the battle against Communism. In Latin American nations, where the spheres of the Church and state have never been considered so mutually exclusive as in the older cultures of Western Europe, the Vatican action will merely provide formal support for the already aggressive attacks by the Church on Communism.

Although the excommunication decree will increase the difficulties confronting the Communist regimes in the Satellites, it will have no appreciable effect on the outcome of the Church-state struggle. In varying degrees, the Communists will eventually establish a "national" church entirely divorced from the Vatican by a combination of coercion of the Church representatives and economic strangulation of the Church organization. Church leaders and priests who remain loyal to Rome will thus be forced underground.

In two major nations of Western Europe, the Vatican excommunication decree will have sharply differing effects. French political alignments will undergo virtually no change,

because the issue of clericalism has been a factor in French politics for the past forty or fifty years and there is only a negligible number of "practicing or non-practicing" Church members who are Communists. In Italy, however, the excommunication decree will undoubtedly result in a substantial reduction in Communist Party membership with anti-Communist Socialists the largest gainers. Moreover, the voting strength of Communism will be reduced even more than party membership as "sympathizers and supporters" are forced to choose between political allegiance and loyalty to the Church. A further result in Italy will be a re-alignment of the non-Communist parties into more clearly defined clerical and anti-clerical camps.

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